

105TH CONGRESS  
1ST SESSION

# H. R. 2644

To provide to beneficiary countries under the Caribbean Basin Economic Recovery Act benefits equivalent to those provided under the North American Free Trade Agreement.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 1997

Mr. ARCHER (for himself and Mr. CRANE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide to beneficiary countries under the Caribbean Basin Economic Recovery Act benefits equivalent to those provided under the North American Free Trade Agreement.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “United States-Carib-  
5       bean Trade Partnership Act”.

6       **SEC. 2. FINDINGS AND POLICY.**

7       (a) FINDINGS.—The Congress makes the following  
8       findings:

1           (1) The Caribbean Basin Economic Recovery  
2       Act represents a permanent commitment by the  
3       United States to encourage the development of  
4       strong democratic governments and revitalized  
5       economies in neighboring countries in the Caribbean  
6       Basin.

7           (2) The economic security of the countries in  
8       the Caribbean Basin is potentially threatened by the  
9       diversion of investment to Mexico as a result of the  
10      North American Free Trade Agreement.

11          (3) Offering NAFTA equivalent benefits to  
12      Caribbean Basin beneficiary countries, pending their  
13      eventual accession to the NAFTA or a free trade  
14      agreement comparable to the NAFTA, will promote  
15      the growth of free enterprise and economic oppor-  
16      tunity in the region, and thereby enhance the na-  
17      tional security interests of the United States.

18          (4) Countries in the Western Hemisphere offer  
19      the greatest opportunities for increased exports of  
20      United States textile and apparel products.

21          (5) Given the greater propensity of countries lo-  
22      cated in the Western Hemisphere to use United  
23      States components and to purchase United States  
24      products compared to other countries, increased  
25      trade and economic activity between the United

1 States and countries in the Western Hemisphere will  
2 create new jobs in the United States as a result of  
3 expanding export opportunities.

4 (b) POLICY.—It is the policy of the United States—

5 (1) to offer to the products of Caribbean Basin  
6 partnership countries tariffs and quota treatment  
7 equivalent to that accorded to products of NAFTA  
8 countries, and to seek the accession of these partner-  
9 ship countries to the NAFTA or a free trade agree-  
10 ment comparable to the NAFTA at the earliest pos-  
11 sible date, with the goal of achieving full participa-  
12 tion in the NAFTA or in a free trade agreement  
13 comparable to the NAFTA by all partnership coun-  
14 tries by not later than January 1, 2005; and

15 (2) to assure that the domestic textile and ap-  
16 parel industry remains competitive in the global  
17 marketplace by encouraging the formation and ex-  
18 pansion of “partnerships” between the textile and  
19 apparel industry of the United States and the textile  
20 and apparel industry of various countries located in  
21 the Western Hemisphere.

22 **SEC. 3. DEFINITIONS.**

23 As used in this Act:

24 (1) PARTNERSHIP COUNTRY.—The term “part-  
25 nership country” means a beneficiary country as de-

1       fined in section 212(a)(1)(A) of the Caribbean Basin  
2       Economic Recovery Act (19 U.S.C. 2702(a)(1)(A)).

3               (2) NAFTA.—The term “NAFTA” means the  
4       North American Free Trade Agreement entered into  
5       between the United States, Mexico, and Canada on  
6       December 17, 1992.

7               (3) TRADE REPRESENTATIVE.—The term  
8       “Trade Representative” means the United States  
9       Trade Representative.

10              (4) WTO AND WTO MEMBER.—The terms  
11       “WTO” and “WTO member” have the meanings  
12       given those terms in section 2 of the Uruguay  
13       Round Agreements Act (19 U.S.C. 3501).

14   **SEC. 4. TEMPORARY PROVISIONS TO PROVIDE NAFTA PAR-**  
15                                   **ITY TO PARTNERSHIP COUNTRIES.**

16       (a) TEMPORARY PROVISIONS.—Section 213(b) of the  
17       Caribbean Basin Economic Recovery Act (19 U.S.C.  
18       2703(b)) is amended to read as follows:

19       “(b) IMPORT-SENSITIVE ARTICLES.—

20               “(1) IN GENERAL.—Subject to paragraphs (2)  
21       through (5), the duty-free treatment provided under  
22       this title does not apply to—

23               “(A) textile and apparel articles which  
24       were not eligible articles for purposes of this

1 title on January 1, 1994, as this title was in  
2 effect on that date;

3 “(B) footwear not designated at the time  
4 of the effective date of this title as eligible arti-  
5 cles for the purpose of the generalized system  
6 of preferences under title V of the Trade Act of  
7 1974;

8 “(C) tuna, prepared or preserved in any  
9 manner, in airtight containers;

10 “(D) petroleum, or any product derived  
11 from petroleum, provided for in headings 2709  
12 and 2710 of the HTS;

13 “(E) watches and watch parts (including  
14 cases, bracelets and straps), of whatever type  
15 including, but not limited to, mechanical, quartz  
16 digital, or quartz analog, if such watches or  
17 watch parts contain any material which is the  
18 product of any country with respect to which  
19 HTS column 2 rates of duty apply; or

20 “(F) articles to which reduced rates of  
21 duty apply under subsection (h).

22 “(2) NAFTA TRANSITION PERIOD TREATMENT  
23 OF CERTAIN TEXTILE AND APPAREL ARTICLES.—

24 “(A) EQUIVALENT TARIFF AND QUOTA  
25 TREATMENT.—During the transition period—

1 “(i) the tariff treatment accorded at  
2 any time to any textile or apparel article  
3 that originates in the territory of a part-  
4 nership country shall be identical to the  
5 tariff treatment that is accorded at such  
6 time under section 2 of the Annex to an  
7 article described in the same 8-digit sub-  
8 heading of the HTS that is a good of Mex-  
9 ico and is imported into the United States;

10 “(ii) duty-free treatment under this  
11 title shall apply to any textile or apparel  
12 article that is imported into the United  
13 States from a partnership country and  
14 that—

15 “(I) is assembled in a partner-  
16 ship country, from fabrics wholly  
17 formed and cut in the United States  
18 from yarns formed in the United  
19 States, and is entered—

20 “(aa) under subheading  
21 9802.00.80 of the HTS; or

22 “(bb) under chapter 61, 62,  
23 or 63 of the HTS if, after such  
24 assembly, the article would have  
25 qualified for treatment under

1 subheading 9802.00.80 of the  
2 HTS, but for the fact the article  
3 was subjected to bleaching, gar-  
4 ments dyeing, stone-washing, en-  
5 zyme-washing, acid-washing,  
6 perma-pressing, oven-baking, or  
7 embroidery; or

8 “(II) is knit-to-shape in a part-  
9 nership country from yarns wholly  
10 formed in the United States;

11 “(III) is made in a partnership  
12 country from fabric knit in a partner-  
13 ship country from yarns wholly  
14 formed in the United States;

15 “(IV) is cut and assembled in a  
16 partnership country from fabrics  
17 wholly formed in the United States  
18 from yarns wholly formed in the Unit-  
19 ed States; or

20 “(V) is identified under subpara-  
21 graph (C) as a handloomed, hand-  
22 made, or folklore article of such coun-  
23 try and is certified as such by the  
24 competent authority of such country;  
25 and

1 “(iii) no quantitative restriction or  
 2 consultation level may be applied to the  
 3 importation into the United States of any  
 4 textile or apparel article that—

5 “(I) originates in the territory of  
 6 a partnership country, or

7 “(II) qualifies for duty-free treat-  
 8 ment under subclause (I), (II), (III),  
 9 (IV), or (V) of clause (ii).

10 “(B) NAFTA TRANSITION PERIOD TREAT-  
 11 MENT OF OTHER NONORIGINATING TEXTILE  
 12 AND APPAREL ARTICLES.—

13 “(i) PREFERENTIAL TARIFF TREAT-  
 14 MENT.—Subject to clause (ii), the Presi-  
 15 dent may place in effect at any time dur-  
 16 ing the transition period with respect to  
 17 any textile or apparel article that—

18 “(I) is a product of a partnership  
 19 country, but

20 “(II) does not qualify as a good  
 21 that originates in the territory of a  
 22 partnership country or is eligible for  
 23 benefits under subparagraph (A)(ii),  
 24 tariff treatment that is identical to the in-  
 25 preference-level tariff treatment accorded



1 at such time under Appendix 6.B of the  
2 Annex to an article described in the same  
3 8-digit subheading of the HTS that is a  
4 product of Mexico and is imported into the  
5 United States. For purposes of this clause,  
6 the ‘in-preference-level tariff treatment’ ac-  
7 corded to an article that is a product of  
8 Mexico is the rate of duty applied to that  
9 article when imported in quantities less  
10 than or equal to the quantities specified in  
11 Schedule 6.B.1, 6.B.2., or 6.B.3. of the  
12 Annex for imports of that article from  
13 Mexico into the United States.

14 “(ii) LIMITATIONS ON ALL ARTI-  
15 CLES.—(I) Tariff treatment under clause  
16 (i) may be extended, during any calendar  
17 year, to not more than 45,000,000 square  
18 meter equivalents of cotton or man-made  
19 fiber apparel, to not more than 1,500,000  
20 square meter equivalents of wool apparel,  
21 and to not more than 25,000,000 square  
22 meter equivalents of goods entered under  
23 subheading 9802.00.80 of the HTS.

24 “(II) Except as provided in subclause  
25 (III), the amounts set forth in subclause

1 (I) shall be allocated among the 7 partner-  
2 ship countries with the largest volume of  
3 exports to the United States of textile and  
4 apparel goods in calendar year 1996, based  
5 upon a pro rata share of the volume of tex-  
6 tile and apparel goods of each of those 7  
7 countries that entered the United States  
8 under subheading 9802.00.80 of the HTS  
9 during the first 12 months of the 14-  
10 month period ending on the date of the en-  
11 actment of the United States-Caribbean  
12 Trade Partnership Act.

13 “(III) Five percent of the amounts set  
14 forth in subclause (I) shall be allocated  
15 among the partnership countries, other  
16 than those to which subclause (II) applies,  
17 based upon a pro rata share of the exports  
18 to the United States of textile and apparel  
19 goods of each of those countries during the  
20 first 12 months of the 14-month period  
21 ending on the date of the enactment of the  
22 United States-Caribbean Trade Partner-  
23 ship Act.

24 “(iii) PRIOR CONSULTATION.—The  
25 President may implement the preferential

1 tariff treatment described in clause (i) only  
2 after consultation with representatives of  
3 the United States textile and apparel in-  
4 dustry and other interested parties regard-  
5 ing—

6 “(I) the specific articles to which  
7 such treatment will be extended,

8 “(II) the annual quantities of  
9 such articles that may be imported at  
10 the preferential duty rates described  
11 in clause (i), and

12 “(III) the allocation of such an-  
13 nual quantities among beneficiary  
14 countries.

15 “(C) HANDLOOMED, HANDMADE, AND  
16 FOLKLORE ARTICLES.—For purposes of sub-  
17 paragraph (A), the Trade Representative shall  
18 consult with representatives of the partnership  
19 country for the purpose of identifying particular  
20 textile and apparel goods that are mutually  
21 agreed upon as being handloomed, handmade,  
22 or folklore goods of a kind described in section  
23 2.3 (a), (b), or (c) or Appendix 3.1.B.11 of the  
24 Annex.

1 “(D) BILATERAL EMERGENCY ACTIONS.—

2 (i) The President may take—

3 “(I) bilateral emergency tariff actions  
4 of a kind described in section 4 of the  
5 Annex with respect to any textile or ap-  
6 parel article imported from a partnership  
7 country if the application of tariff treat-  
8 ment under subparagraph (A) to such arti-  
9 cle results in conditions that would be  
10 cause for the taking of such actions under  
11 such section 4 with respect to an article  
12 described in the same 8-digit subheading  
13 of the HTS that is imported from Mexico;  
14 or

15 “(II) bilateral emergency quantitative  
16 restriction actions of a kind described in  
17 section 5 of the Annex with respect to im-  
18 ports of any textile or apparel article de-  
19 scribed in subparagraphs (B)(i) (I) and  
20 (II) if the importation of such article into  
21 the United States results in conditions that  
22 would be cause for the taking of such ac-  
23 tions under such section 5 with respect to  
24 a like article that is a product of Mexico.

1           “(ii) The requirement in paragraph (5) of  
2           section 4 of the Annex (relating to providing  
3           compensation) shall not be deemed to apply to  
4           a bilateral emergency action taken under this  
5           subparagraph.

6           “(iii) For purposes of applying bilateral  
7           emergency action under this subparagraph—

8                 “(I) the term ‘transition period’ in  
9                 sections 4 and 5 of the Annex shall be  
10                deemed to be the period defined in para-  
11               graph (5)(E); and

12               “(II) any requirements to consult  
13               specified in section 4 or 5 of the Annex are  
14               deemed to be satisfied if the President re-  
15               quests consultations with the partnership  
16               country in question and the country does  
17               not agree to consult within the time period  
18               specified under such section 4 or 5, which-  
19               ever is applicable.

20           “(3) NAFTA TRANSITION PERIOD TREATMENT  
21           OF CERTAIN OTHER ARTICLES ORIGINATING IN BEN-  
22           EFICIARY COUNTRIES.—

23                 “(A) EQUIVALENT TARIFF TREATMENT.—

24                 “(i) IN GENERAL.—Subject to clause  
25                 (ii), the tariff treatment accorded at any

1 time during the transition period to any  
2 article referred to in any of subparagraphs  
3 (B) through (F) of paragraph (1) that  
4 originates in the territory of a partnership  
5 country shall be identical to the tariff  
6 treatment that is accorded at such time  
7 under Annex 302.2 of the NAFTA to an  
8 article described in the same 8-digit sub-  
9 heading of the HTS that is a good of Mex-  
10 ico and is imported into the United States.

11 “(ii) EXCEPTION.—Clause (i) does not  
12 apply to any article accorded duty-free  
13 treatment under U.S. Note 2(b) to sub-  
14 chapter II of chapter 98 of the HTS.

15 “(B) RELATIONSHIP TO SUBSECTION (h)  
16 DUTY REDUCTIONS.—If at any time during the  
17 transition period the rate of duty that would  
18 (but for action taken under subparagraph (A)(i)  
19 in regard to such period) apply with respect to  
20 any article under subsection (h) is a rate of  
21 duty that is lower than the rate of duty result-  
22 ing from such action, then such lower rate of  
23 duty shall be applied for the purposes of imple-  
24 menting such action.

25 “(4) CUSTOMS PROCEDURES.—

1 “(A) IN GENERAL.—

2 “(i) REGULATIONS.—Any importer  
3 that claims preferential tariff treatment  
4 under paragraph (2) or (3) shall comply  
5 with customs procedures similar in all ma-  
6 terial respects to the requirements of Arti-  
7 cle 502(1) of the NAFTA as implemented  
8 pursuant to United States law, in accord-  
9 ance with regulations promulgated by the  
10 Secretary of the Treasury.

11 “(ii) DETERMINATION.—In order to  
12 qualify for such preferential tariff treat-  
13 ment and for a Certificate of Origin to be  
14 valid with respect to any article for which  
15 such treatment is claimed, there shall be in  
16 effect a determination by the President  
17 that—

18 “(I) the partnership country  
19 from which the article is exported,  
20 and

21 “(II) each partnership country in  
22 which materials used in the produc-  
23 tion of the article originate or undergo  
24 production that contributes to a claim

1                   that the article qualifies for such pref-  
2                   erential tariff treatment,  
3                   has implemented and follows, or is making  
4                   substantial progress toward implementing  
5                   and following, procedures and require-  
6                   ments similar in all material respects to  
7                   the relevant procedures and requirements  
8                   under chapter 5 of the NAFTA.

9                   “(B) CERTIFICATE OF ORIGIN.—The Cer-  
10                  tificate of Origin that otherwise would be re-  
11                  quired pursuant to the provisions of subpara-  
12                  graph (A) shall not be required in the case of  
13                  an article imported under paragraph (2) or (3)  
14                  if such Certificate of Origin would not be re-  
15                  quired under Article 503 of the NAFTA (as im-  
16                  plemented pursuant to United States law), if  
17                  the article were imported from Mexico.

18                  “(C) PENALTIES FOR TRANSSHIPMENTS.—  
19                  If the President determines, based on sufficient  
20                  evidence, that an exporter has engaged in will-  
21                  ful illegal transshipment or willful customs  
22                  fraud with respect to textile or apparel articles  
23                  for which preferential tariff treatment under  
24                  subparagraph (A) or (B) of paragraph (2) is  
25                  claimed, then the President shall deny all bene-



fits under this title to such exporter, and any successors of such exporter, for a period of 2 years.

“(D) STUDY BY USTR ON COOPERATION OF OTHER COUNTRIES CONCERNING CIRCUMVENTION.—The United States Commissioner of Customs shall conduct a study analyzing the extent to which each partnership country—

“(i) has cooperated fully with the United States, consistent with its domestic laws and procedures, in instances of circumvention or alleged circumvention of existing quotas on imports of textile and apparel goods, to establish necessary relevant facts in the places of import, export, and, where applicable, transshipment, including investigation of circumvention practices, exchanges of documents, correspondence, reports, and other relevant information, to the extent such information is available;

“(ii) has taken appropriate measures, consistent with its domestic laws and procedures, against exporters and importers involved in instances of false declaration

1 concerning fiber content, quantities, de-  
2 scription, classification, or origin of textile  
3 and apparel goods; and

4 “(iii) has penalized the individuals  
5 and entities involved in any such cir-  
6 cumvention, consistent with its domestic  
7 laws and procedures, and has worked  
8 closely to seek the cooperation of any third  
9 country to prevent such circumvention  
10 from taking place in that third country.

11 The Trade Representative shall submit to the  
12 Congress, not later than October 1, 1998, a re-  
13 port on the study conducted under this sub-  
14 paragraph.

15 “(5) DEFINITIONS.—For purposes of this sub-  
16 section—

17 “(A) The term ‘the Annex’ means Annex  
18 300–B of the NAFTA.

19 “(B) The term ‘NAFTA’ means the North  
20 American Free Trade Agreement entered into  
21 between the United States, Mexico, and Canada  
22 on December 17, 1992.

23 “(C) The term ‘partnership country’  
24 means a beneficiary country.

1           “(D) The term ‘textile or apparel article’  
2 means any article referred to in paragraph  
3 (1)(A) that is a good listed in Appendix 1.1 of  
4 the Annex.

5           “(E) The term ‘transition period’ means,  
6 with respect to a partnership country, the pe-  
7 riod that begins on May 15, 1998, and ends on  
8 the earlier of—

9                   “(i) July 15, 1999; or

10                   “(ii) the date on which—

11                           “(I) the United States first ap-  
12 plies the NAFTA to the partnership  
13 country upon its accession to the  
14 NAFTA, or

15                           “(II) there enters into force with  
16 respect to the United States and the  
17 partnership country a free trade  
18 agreement comparable to the NAFTA  
19 that makes substantial progress in  
20 achieving the negotiating objectives  
21 set forth in section 108(b)(5) of the  
22 North American Free Trade Agree-  
23 ment Implementation Act (19 U.S.C.  
24 3317(b)(5)).

1           “(F) An article shall be deemed as origi-  
2           nating in the territory of a partnership country  
3           if the article meets the rules of origin for a  
4           good set forth in chapter 4 of the NAFTA, and,  
5           in the case of an article described in Appendix  
6           6.A of the Annex, the requirements stated in  
7           such Appendix 6.A for such article to be treated  
8           as if it were an originating good. In applying  
9           such chapter 4 or Appendix 6.A with respect to  
10          a partnership country for purposes of this sub-  
11          section—

12                 “(i) no countries other than the Unit-  
13                 ed States and partnership countries may  
14                 be treated as being Parties to the NAFTA,

15                 “(ii) references to trade between the  
16                 United States and Mexico shall be deemed  
17                 to refer to trade between the United States  
18                 and partnership countries, and

19                 “(iii) references to a Party shall be  
20                 deemed to refer to the United States or a  
21                 partnership country, and references to the  
22                 Parties shall be deemed to refer to any  
23                 combination of partnership countries or  
24                 the United States.”.

1 (b) DETERMINATION REGARDING RETENTION OF  
2 DESIGNATION.—Section 212(e)(1) of the Caribbean Basin  
3 Economic Recovery Act (19 U.S.C. 2702(e)) is amended—

4 (1) by inserting “(A)” after “(1)”;

5 (2) by redesignating subparagraphs (A) and  
6 (B) as clauses (i) and (ii), respectively;

7 (3) by adding at the end the following:

8 “(B)(i) Based on the President’s review and  
9 analysis described in subsection (f), the President  
10 may determine if the preferential treatment under  
11 section 213(b)(2) and (3) should be withdrawn, sus-  
12 pended, or limited with respect to any article of a  
13 partnership country. Such determination shall be in-  
14 cluded in the report required by subsection (f).

15 “(ii) Withdrawal, suspension, or limitation of  
16 the preferential treatment under section 213(b)(2)  
17 and (3) with respect to a partnership country shall  
18 be taken only after the requirements of subsection  
19 (a)(2) and paragraph (2) of this subsection have  
20 been met.”.

21 (c) REPORTING REQUIREMENTS.—Section 212(f) of  
22 the Caribbean Basin Economic Recovery Act (19 U.S.C.  
23 2702(f)) is amended to read as follows:

24 “(f) REPORTING REQUIREMENTS.—Not later than 1  
25 year after the date of the enactment of the United States-

1 Caribbean Trade Partnership Act and at the close of each  
2 3-year period thereafter, the President shall submit to the  
3 Congress a complete report regarding the operation of this  
4 title, including—

5 “(1) with respect to subsections (b) and (c) of  
6 this section, the results of a general review of bene-  
7 ficiary countries based on the considerations de-  
8 scribed in such subsections;

9 “(2) with respect to subsection (c)(4), the de-  
10 gree to which a country follows accepted rules of  
11 international trade provided for under the General  
12 Agreement on Tariffs and Trade and the World  
13 Trade Organization;

14 “(3) with respect to subsection (c)(9), the ex-  
15 tent to which beneficiary countries are providing or  
16 taking steps to provide protection of intellectual  
17 property rights comparable to the protection pro-  
18 vided to the United States in bilateral intellectual  
19 property rights agreements;

20 “(4) with respect to subsection (b)(2) and sub-  
21 section (c)(5), the extent that beneficiary countries  
22 are providing or taking steps to provide protection of  
23 investment and investors comparable to the protec-  
24 tion provided to the United States in bilateral in-  
25 vestment treaties;

1           “(5) with respect to subsection (c)(3), the ex-  
2           tent that beneficiary countries are providing the  
3           United States and other WTO members (as such  
4           term is defined in section 2(10) of the Uruguay  
5           Round Agreements Act (19 U.S.C. 3501(10)) with  
6           equitable and reasonable market access in the prod-  
7           uct sectors for which benefits are provided under  
8           this title;

9           “(6) with respect to subsection (c)(11), the ex-  
10          tent that beneficiary countries are cooperating with  
11          the United States in administering the provisions of  
12          section 213(b); and

13          “(7) with respect to subsection (c)(8), the ex-  
14          tent that beneficiary countries are meeting the inter-  
15          nationally recognized worker rights criteria under  
16          such subsection.

17 In the first report under this subsection, the President  
18 shall include a review of the implementation of section  
19 213(b), and his analysis of whether the benefits under  
20 paragraphs (2) and (3) of such section further the objec-  
21 tives of this title and whether such benefits should be con-  
22 tinued.”.

23          (d) CONFORMING AMENDMENT.—Section 213(a)(1)  
24 of the Caribbean Basin Economic Recovery Act is amend-

1 ed by inserting “and except as provided in section  
2 213(b)(2) and (3),” after “Tax Reform Act of 1986,”.

3 **SEC. 5. EFFECT OF NAFTA ON SUGAR IMPORTS FROM BEN-**  
4 **EFICIARY COUNTRIES.**

5 The President shall monitor the effects, if any, that  
6 the implementation of the NAFTA has on the access of  
7 beneficiary countries under the Caribbean Basin Economic  
8 Recovery Act to the United States market for sugars, syr-  
9 ups, and molasses. If the President considers that the  
10 implementation of the NAFTA is affecting, or will like-  
11 ly affect, in an adverse manner the access of such  
12 countries to the United States market, the President shall  
13 promptly—

14 (1) take such actions, after consulting with in-  
15 terested parties and with the appropriate committees  
16 of the House of Representatives and the Senate, or  
17 (2) propose to the Congress such legislative ac-  
18 tions,

19 as may be necessary or appropriate to ameliorate such ad-  
20 verse effect.

21 **SEC. 6. DUTY-FREE TREATMENT FOR CERTAIN BEVERAGES**  
22 **MADE WITH CARIBBEAN RUM.**

23 Section 213(a) of the Caribbean Basin Economic Re-  
24 covery Act (19 U.S.C. 2703(a)) is amended—



1           (1) in paragraph (5), by striking “chapter” and  
2     inserting “title”; and

3           (2) by adding at the end the following new  
4     paragraph:

5       “(6) Notwithstanding paragraph (1), the duty-free  
6     treatment provided under this title shall apply to liqueurs  
7     and spirituous beverages produced in the territory of Can-  
8     ada from rum if—

9           “(A) such rum is the growth, product, or manu-  
10    facture of a beneficiary country or of the Virgin Is-  
11    lands of the United States;

12          “(B) such rum is imported directly from a ben-  
13    eficiary country or the Virgin Islands of the United  
14    States into the territory of Canada, and such li-  
15    queurs and spirituous beverages are imported di-  
16    rectly from the territory of Canada into the customs  
17    territory of the United States;

18          “(C) when imported into the customs territory  
19    of the United States, such liqueurs and spirituous  
20    beverages are classified in subheading 2208.90 or  
21    2208.40 of the HTS; and

22          “(D) such rum accounts for at least 90 percent  
23    by volume of the alcoholic content of such liqueurs  
24    and spirituous beverages.”.

1 **SEC. 7. MEETINGS OF TRADE MINISTERS AND USTR.**

2 (a) SCHEDULE OF MEETINGS.—The President shall  
3 take the necessary steps to convene a meeting with the  
4 trade ministers of the partnership countries in order to  
5 establish a schedule of regular meetings, to commence as  
6 soon as is practicable, of the trade ministers and the  
7 Trade Representative, for the purpose set forth in sub-  
8 section (b).

9 (b) PURPOSE.—The purpose of the meetings sched-  
10 uled under subsection (a) is to reach agreement between  
11 the United States and partnership countries on the likely  
12 timing and procedures for initiating negotiations for part-  
13 nership to accede to the NAFTA, or to enter into mutually  
14 advantageous free trade agreements with the United  
15 States that contain provisions comparable to those in the  
16 NAFTA and would make substantial progress in achieving  
17 the negotiating objectives set forth in section 108(b)(5)  
18 of the North American Free Trade Agreement Implemen-  
19 tation Act (19 U.S.C. 3317(b)(5)).

20 **SEC. 8. REPORT ON ECONOMIC DEVELOPMENT AND MAR-**  
21 **KET ORIENTED REFORMS IN THE CARIB-**  
22 **BEAN.**

23 (a) IN GENERAL.—The Trade Representative shall  
24 make an assessment of the economic development efforts  
25 and market oriented reforms in each partnership country  
26 and the ability of each such country, on the basis of such

1 efforts and reforms, to undertake the obligations of the  
2 NAFTA. The Trade Representative shall, not later than  
3 July 1, 1998, submit to the President and to the Commit-  
4 tee on Finance of the Senate and the Committee on Ways  
5 and Means of the House of Representatives a report on  
6 that assessment.

7 (b) ACCESSION TO NAFTA.—

8 (1) ABILITY OF COUNTRIES TO IMPLEMENT  
9 NAFTA.—The Trade Representative shall include in  
10 the report under subsection (a) a discussion of pos-  
11 sible timetables and procedures pursuant to which  
12 partnership countries can complete the economic re-  
13 forms necessary to enable them to negotiate acces-  
14 sion to the NAFTA. The Trade Representative shall  
15 also include an assessment of the potential phase-in  
16 periods that may be necessary for those partnership  
17 countries with less developed economies to imple-  
18 ment the obligations of the NAFTA.

19 (2) FACTORS IN ASSESSING ABILITY TO IMPLE-  
20 MENT NAFTA.—In assessing the ability of each part-  
21 nership country to undertake the obligations of the  
22 NAFTA, the Trade Representative should consider,  
23 among other factors—

24 (A) whether the country has joined the  
25 WTO;

1 (B) the extent to which the country pro-  
2 vides equitable access to the markets of that  
3 country;

4 (C) the degree to which the country uses  
5 export subsidies or imposes export performance  
6 requirements or local content requirements;

7 (D) macroeconomic reforms in the country  
8 such as the abolition of price controls on traded  
9 goods and fiscal discipline;

10 (E) progress the country has made in the  
11 protection of intellectual property rights;

12 (F) progress the country has made in the  
13 elimination of barriers to trade in services;

14 (G) whether the country provides national  
15 treatment to foreign direct investment;

16 (H) the level of tariffs bound by the coun-  
17 try under the WTO (if the country is a WTO  
18 member);

19 (I) the extent to which the country has  
20 taken other trade liberalization measures; and

21 (J) the extent which the country works to  
22 accommodate market access objectives of the  
23 United States.

24 (c) PARITY REVIEW IN THE EVENT A NEW COUNTRY  
25 ACCEDES TO NAFTA.—If—

1           (1) a country or group of countries accedes to  
2       the NAFTA, or

3           (2) the United States negotiates a comparable  
4       free trade agreement with another country or group  
5       of countries,

6       the Trade Representative shall provide to the committees  
7       referred to in subsection (a) a separate report on the  
8       economic impact of the new trade relationship on partner-  
9       ship countries. The report shall include any measures the  
10      Trade Representative proposes to minimize the po-  
11      tential for the diversion of investment from partnership  
12      countries to the new NAFTA member or free trade agree-  
13      ment partner.

14   **SEC. 9. OVERRULING OF SCHMIDT BAKING COMPANY CASE**  
15                           **WITH RESPECT TO SEVERANCE PAY.**

16       (a) IN GENERAL.—The Internal Revenue Code of  
17   1986 shall be applied with respect to severance pay with-  
18   out regard to the result reached in the case of Schmidt  
19   Baking Company, Inc. v. Commissioner of Internal Reve-  
20   nue, 107 T.C. 271 (1996).

21       (b) REGULATIONS.—The Secretary of the Treasury  
22   or the Secretary's delegate shall prescribe regulations to  
23   reflect subsection (a).

24       (c) EFFECTIVE DATE.—

1           (1) IN GENERAL.—Subsections (a) and (b) shall  
2       apply to taxable years ending after October 8, 1997.

3           (2) CHANGE IN METHOD OF ACCOUNTING.—In  
4       the case of any taxpayer required by this section to  
5       change its method of accounting for its first taxable  
6       year ending after October 8, 1997—

7           (A) such change shall be treated as initi-  
8       ated by the taxpayer,

9           (B) such change shall be treated as made  
10       with the consent of the Secretary of the Treas-  
11       ury, and

12          (C) the net amount of the adjustments re-  
13       quired to be taken into account by the taxpayer  
14       under section 481 of the Internal Revenue Code  
15       of 1986 shall be taken into account in such first  
16       taxable year.

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